



SECURITU

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## ANNUAL AUDITED REPORT

FORM X-17A-5 MAR 14 2002  
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 1/1/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Asset Allocation Securities Corp.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

777 Old Saw Mill River Road Suite 240

(No. and Street)

Tarrytown

(City)

New York

(State)

10591

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jeffrey Rachlin

(914) 347-8800

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Cohen Greve &amp; Company P.C.

(Name - If individual, state last, first, middle name)

485 Jericho Turnpike

(Address)

Mineola

(City)

New York

(State)

11501

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

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PROCESSED

MAR 26 2002

THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (05-01)

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Handwritten initials and date: 3/21/02

## OATH OR AFFIRMATION

I, Jeffrey Rachlin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Asset Allocation Securities Corp., as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Notary Public

This report \*\* contains (check all applicable boxes):

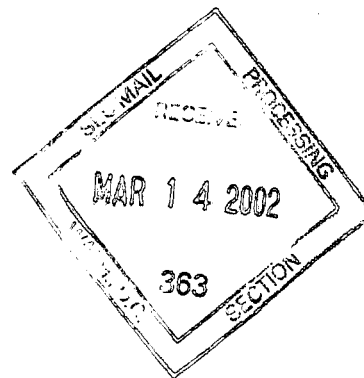
- ☐ (a) Facing Page.
- ☐ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

ASSET ALLOCATION SECURITIES CORP.

FINANCIAL STATEMENTS

December 31, 2001



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COHEN GREVE & COMPANY CPA, P.C.  
*Certified Public Accountants*

J. Timothy Sherman, CPA  
Sanford J. Schmidt, CPA  
Ellen R. Trageser, CPA  
Marc I. Cohen, CPA  
Henry P. Greve, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Asset Allocation Securities Corp.  
Tarrytown, New York

We have audited the accompanying balance sheet of Asset Allocation Securities Corp. as of December 31, 2001, and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asset Allocation Securities Corp. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Schedules II and III are supplementary information required by Rule 17a-5 and the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cohen Greve & Company P.C.*

February 8, 2002

*ASSET ALLOCATION SECURITIES CORP.*  
*BALANCE SHEET*  
*December 31, 2001*

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ASSETS

Current Assets

Cash (including \$7,166 interest bearing accounts)	\$ 39,177
Accounts receivable	61,881
Loan receivable – officer	7,000
Investments	6,766

Total Current Assets	<u>114,824</u>
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Property and Equipment

Computer equipment	52,223
Furniture and fixtures	34,392
Total	86,615

Less: accumulated depreciation	<u>84,759</u>
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Net Property and Equipment	<u>1,856</u>
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TOTAL ASSETS	<u>\$ 116,680</u>
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Current Liabilities

Accounts payable	\$ 22,150
Loan payable	6,819

Total Current Liabilities	<u>28,969</u>
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Stockholders' Equity

Common stock - no par value, 200 shares authorized, 30 shares issued	45,500
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Retained Earnings	<u>42,211</u>
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Total Stockholders' Equity	<u>87,711</u>
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 116,680</u>
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**ASSET ALLOCATION SECURITIES CORP.**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
***For the Year Ended December 31, 2001***

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Income	\$ 402,133
Expenses	<u>369,977</u>
NET INCOME	32,156
Beginning Retained Earnings	<u>10,055</u>
ENDING RETAINED EARNINGS	<u><u>\$ 42,211</u></u>

**ASSET ALLOCATION SECURITIES CORP.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2001**

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Operating Activities:

Net income \$ 32,156

Adjustments to reconcile net loss to net cash provided by operating activities:

Unrealized loss on investments	14,901
Depreciation	3,094
Increase in accounts receivable	(49,067)
Increase in accounts payable	22,150
Increase in loan payable	6,819

(2,103)

NET CASH PROVIDED BY  
OPERATING ACTIVITIES

30,053

Net Change in Cash

30,053

Cash at Beginning of Year

9,124

CASH AT END OF YEAR

\$ 39,177

SUPPLEMENTAL INFORMATION

Cash Paid for:

Taxes

\$ 155

**ASSET ALLOCATION SECURITIES CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2001**

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Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company operates as an introducing security dealer, collecting commissions on investments recommended through financial planning activities of related companies.

The financial statements have been prepared on the accrual basis of accounting.

Property and equipment are stated on the basis of cost. Depreciation is provided over the estimated useful lives of the assets by the straight-line method.

The Company has elected Sub-Chapter S status for Federal and New York State tax purposes. Under this election, the Corporation's taxable income or loss is reported by its shareholders. Therefore, no provision for Federal or New York State tax is required.

As of December 31, 2001, all accounts receivable were considered by management to be fully collectible. Therefore, no allowance for doubtful accounts has been provided for within this report.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2 - INVESTMENTS

The corporation has adopted the FASB Statement No. 115 "Accounting for Certain Investments in Debt and Equity Securities." This statement addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Those investments are to be classified in three categories and are accounted for as follows:

Debt securities the enterprise has the positive intent and ability to hold to maturity are classified as investment securities and reported at amortized cost.

Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.

Debt and equity securities not classified as either investment securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholders' equity.

Investments classified as trading securities with a cost of \$9,412 and a fair market value of \$21,667 was held at December 31, 2001. For 2001 the corporation recorded unrealized losses of \$14,901, which were included in earnings.

Note 3 - RELATED PARTIES

The Company (AASC) is related through common ownership to Financial Planning Associates, Inc. (FPA). The related company offers financial and retirement planning services. By mutual agreement FPA provides office services to AASC. Office services include all operational costs of AASC. For 2001 office service payments amounted to \$364,253.

Note 4 - COMMITMENTS

The Company is obligated under an office lease agreement expiring in 2004. The obligation is covered through the office services agreement with FPA. The minimum annual rental through 2004 is as follows:

2002	56,810
2003	57,590
2004	58,370

ASSET ALLOCATION SECURITIES CORP.

SUPPLEMENTARY INFORMATION

December 31, 2001

**ASSET ALLOCATION SECURITIES CORP.**  
**SUPPLEMENTARY INFORMATION - SCHEDULE I**  
**For the Year Ended December 31, 2001**

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Income:

Commissions - sale of investment company shares	\$ 35,643
Commissions - direct participation programs	280,334
Commissions - wholesale fee	45,077
12B-1 fees	40,063
Distributions- limited partnerships	15,235
Commissions - annuities	112
Interest and dividend income	570
Unrealized loss on investments	(14,901)
TOTAL INCOME	<u>\$ 402,133</u>

Expenses:

Office services	\$ 364,253
Legal fees	250
Depreciation expense	3,094
Bank charges	372
NASD fees	1,853
Corporate income taxes	155
TOTAL EXPENSES	<u>\$ 369,977</u>

**ASSET ALLOCATION SECURITIES CORP.**  
**SUPPLEMENTARY INFORMATION - SCHEDULE II**  
**For the Year Ended December 31, 2001**

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Statement of Change in Stockholders' Equity

Balance at January 1, 2001	\$ 55,555
Net Income (Loss)	32,156
Balance at December 31, 2001	<u>\$ 87,711</u>

Computation of Aggregate Indebtedness to Net Capital at December 31, 2001

Aggregate Indebtedness	\$ 6,819
Net Capital	24,285
Aggregate percentage of net capital	<u>28%</u>

Computation and Reconciliation of Net Capital at December 31, 2001

Total Owner Equity	\$ 87,711
Deduct total no allowable assets	60,720
Net Capital Before Haircuts	26,991
Haircuts	2,706
Total Net Capital	24,285
Net Capital as Required by Rule 15c3-1	<u>\$ 5,000</u>

**ASSET ALLOCATION SECURITIES CORP.**  
**SUPPLEMENTARY INFORMATION - SCHEDULE III**  
**For the Year Ended December 31, 2001**

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No material differences existed between the audited net capital and quarterly focus report net capital as of December 31, 2001.

Asset Allocation Securities Corp. is exempt from the requirements of SEC Rule 15c 3-3 regarding reserve requirements under (k)(2)(i).

We have reviewed the method of internal accounting control and the procedures for safeguarding securities and find them satisfactory. There were no material inadequacies found to exist.